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THE OUTLOOK FOR SILVER.

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A THIRTY YEARS' WAR, or very nearly, has been waged over the equal monetary rights of silver and gold—a war as fatal in its consequences as the religious war of the seventeenth century. It was at the first monetary conference at Paris in 1867 that the theory of the single gold standard won its first and decisive victory. If to-day, after thirty years, we look back on those discussions, we see that all the suppositions then made in this respect were erroneous. The first and foremost object was to attain unity of standard through the gold standard; instead of this, the result has been that the world suffers from differences in money value such as never existed before. The principle that a fixed ratio of values between the two precious metals is possible was condemned; yet after thirty years the British House of Commons unanimously declares that the government should do everything in its power to obtain and secure a fixed ratio between the two precious metals.

If the nations could live the past thirty years over again, with the experience gained since, there is no doubt that the luckless experiment of imitating the English gold standard would not be repeated, but on the contrary each nation would strive to strengthen the double standard of the Latin Monetary Union, which secured to the world's commerce the stability of the ratio of values and the most stable value of money conceivable, amid the greatest fluctuations in the production. It certainly does not speak well for the gold standard that everybody now regrets that the warning voices of a Wolowski and a Seyd, thirty years ago, were not heard, which predicted the grave economic crisis

as the consequence of the confusion in regard to the money standard.

The whole conflict of opinions at that time consisted in this, that in the opinion of one school, the French double standard maintained itself so long as the market price of the precious metals corresponded to it, while in the opinion of the other school, the market price of the precious metals corresponded to the French double standard so long as that standard was in operation. In this case, too, the facts have brought the proof. If there ever was a fact irrefutably demonstrated it is this, that the depreciation of silver was the consequence of the change in monetary laws. This can no longer be seriously questioned after witnessing the consequences of the closure of the Indian mints. The evils of the silver depreciation are everywhere recognized, and even in non-bimetallist circles the impression prevails which Prince Bismarck on one occasion voiced in private conversation: "We have got into a swamp with our gold standard, and we don't know how to get out." The worst is that we are getting deeper and deeper into the swamp and that it is becoming harder and harder to get out.

If at the Paris Monetary Conference of 1881 theory had not been thrust to the front, the solution would have been easy. I then vainly urged on the late Dana Horton and Henri Cernuschi that we ought to be content with what was then attainable. Instead of this, the United States, by their perverse monetary policy, made it easier for the European gold powers to maintain the gold standard.

When I first joined in the battle of the standards, in 1880, I tried to show that the international double standard does not presuppose the participation of England, but that on the contrary it would be more advantageous for Germany, France, and the United States if they adopted bimetallism without England. Either a fixed parity between silver and gold would then be attained, and then England would have no advantage; or gold would remain at a premium, and then England would be the land of the highest money value, to which every one would be anxious to sell and from which no one would willingly buy. Her economic decline would thus be inevitable.

About 1885 I secured the acceptance of this view, which I still regard as correct. For ten years the German bimetallist party strove, unfortunately without success, to realize the pro-

gramme: Bimetallism without England, in connection with the Latin Monetary Union and the United States. If in 1895 we decided to recognize the participation of England as an indispensable prerequisite to the adoption of the double standard by Germany, it was not because our monetary views had undergone a change, but because we recognized that we made no headway with our former programme. If the silver price had declined still more, or if the decrease in the gold production, down to about 1885, had continued still farther, the maintenance of the gold standard would have been impossible. But the gold production unexpectedly increased, and the silver price rose, so that the situation became more endurable, especially for commerce and industry. A respite was thus created for the gold standard.

How long the gold production will maintain its present figure, no one can tell. I believe with Suess that "the greater the production, the sooner will the end be reached." In the same way, the movement of the silver price defies prediction. No one can tell whether silver four weeks hence will be quoted at 26 pence, 31 pence or 36 pence. Every fluctuation of the silver price intensifies the disturbances due to the gold standard. If the silver price is rather stable, or even slowly rising, as happens to be the case at this moment, certain circles feel a degree of reassurance. People think they can plod along under such conditions, until a sudden and great fluctuation once more shows the untenable character of the present situation.

That a universal gold standard might be introduced is conceivable. But that it is practically impossible to obtain the gold necessary for that purpose, is to-day admitted by the most inveterate gold men. Accordingly the typical gold man of to-day always demands the gold standard only for *his* country. In London the saying is that England must adhere to the gold standard, but that it is very much to be desired that the rest of the world should adopt bimetallism. But the gold standard man of Germany wishes to have his country in agreement with England on the money standard. Austria-Hungary does not wish to depart from the German standard, nor Rumania from that of Austria-Hungary; and thus the present state of affairs necessarily leads to the extension of the gold standard, which is everywhere recognized as dangerous and impossible.

One land after the other makes abortive attempts to introduce the gold standard, and lapses into fiat money. This is no longer the exceptional condition in the case of ruined finances, but it is the rule with all debtor countries. The attempts made in Russia and Austria-Hungary to introduce the gold standard will lead to no other result than that obtained in Italy; the gold has to be locked up or it will flow out of the country; and the first untoward event causes the reappearance of the gold premium, higher than ever. If the United States has thus far escaped fiat money, it is solely owing to the increase of the gold production. On this increase in fact depends the very possibility of the existence of the gold standard. The bad news from the Transvaal and from West Australia are more decisive than all declarations of British Ministers. If a crash is imminent in West Australia, as would appear from the reports of Mining Councilor Schmeisser, if it is true that in the Transvaal the climax of the gold production has already been passed, if the wealth of Colorado is destined to be quickly exhausted by American energy—then it will not be long before all talk of a gold standard will subside; and that point may be reached in a few years.

Now, the question is, whether the great revolution which, in that event, is bound to occur may not be forestalled by common measures adopted by the nations for the rehabilitation of silver. On this question we have been at work during a quarter of a century. The people of the United States were the first to understand it and to favor international bimetallism. And yet, in my opinion, it is mainly the fault of the United States that bimetallism has not yet been brought about. The Americans ignored the great fundamental laws of circulation in trying to save silver by the experiments of the Bland and Sherman laws. What silver wanted was not the *demand*, for that is *unlimited*. Silver has has never yet lacked purchasers. What has been lacking since the abolition of the double standard is the fixed place of exchange between silver and gold, which can only be created by unlimited demand for both precious metals at a fixed ratio of values. Hence, limited coinage or limited purchases, such as were made in the United States from 1878 to 1894, are altogether inadequate. They wrought harm to the bimetallist cause, because their failure was exploited by the gold party, and because they stimulated the silver production. Had the United States

declined every compromise and solely aimed at international bimetallism, the silver depreciation and the scarcity of gold would have been more severe in Europe, and a transition to bimetallism would long ago have been found.

If it is now desired to perpetuate the gold standard in Europe, let the government at Washington adopt free coinage of silver at the ratio of 1:16. At present, after the closure of the Indian mints, this step could not possibly have any other result than to make the American standard a silver standard. The price of silver of course would rise, but not to 59 pence and not permanently. The United States would have a standard not materially different from that of Mexico. All the disadvantages and all the advantages of a fluctuating and depreciated money standard would follow. Gold monometallism would be replaced by silver monometallism; the double standard would become nominal. No bimetallist can approve of this. Free coinage of silver in the United States would result in harm to Europe no doubt, but also in advantage. Perhaps the harm would predominate; but one thing is certain: the absorption of the American gold, the continual supplies coming from the American gold production, would for a long time to come relieve the European powers of all anxiety for their gold standard. The monetary anarchy would thus be perpetuated for a space of time beyond estimation. Only by insisting in all countries in an unequivocal manner on the international solution of the currency question, can international bimetallism be attained. "No more experiments!" is therefore the only appeal which the European bimetallists address to those of America; no silver purchases, no silver coinage, otherwise than on the basis of international agreement; and no more abortive attempts to bring them about.

It is my conviction that the bimetallists can easily refute all the arguments of the gold party that relate to principle. But there is one argument that they can not refute, and for this the gold party owes thanks to the unskilful monetary diplomacy of America. Whenever we bimetallists of Europe allude to international currency negotiations, we are driven from the field by a reference to the comedy of questions at the last monetary conference at Brussels in 1892; and in its criticisms of that conference the gold party is right. At a time inopportune for Europe, without any previous understanding with the leaders of the

bimetallist movement in Europe, without any programme, nay even without any real directorship, the United States called this monetary conference. I was in Brussels at the time and talked with the American delegates. Some of them were Republicans, some Democrats. The Republicans said: "We can do nothing, for although we still control the government, the Democrats have carried the elections." The Democrats said: "We can do nothing either, for the Republicans are still in power." Now of course a monetary conference has a practical meaning and purpose only if practical proposals are brought forward. No such proposals were made by the Americans; on the contrary they left it to chance to have any proposals made. Thus some speeches were delivered for and against the gold standard, a number of dinners were given, and then the delegates departed, having succeeded in thoroughly discrediting monetary conferences. Balfour's declaration, that monetary conferences are of evil unless governments have come to an understanding beforehand, is illustrated by the events just described.

What, then, is the prospect of arriving at such an understanding? Worse than ever—or better than ever, according as you manage it.

The prospect is worse than ever if the cry is, All or nothing! Bimetallism in its fulness can be obtained in Europe only by including England; and England can not be induced to give up the gold standard within a measurable time—say, until the changed conditions of the precious metal production begin to be felt. In Germany everybody recognizes that the German empire must *keep pace* with England—that is to say, not go farther.

On the other hand, the chances of bimetallism are better than ever, if what is attainable can be recognized and measures taken to reach it gradually.

All European countries are agreed that the raising and fixing of the value of silver are in harmony with important economic interests. No country will refuse to co-operate in this. Is it possible on this restricted basis to overcome the prejudice against silver?

The United States alone can not establish the double standard by adopting free coinage; they would shift over to the silver standard, and we should vainly wait for a stable ratio of values.

But if the nations in common create an unlimited demand for silver at a fixed gold price, and in this way create a fixed ratio, then the United States, as well as other countries, may open their mints to silver; and then that which to-day is unattainable by compulsion will be done voluntarily: silver will again be coined. A constant interchange of opinions is going on among European bimetallists in order to work out the details of such a procedure. As soon as the programme is agreed on, which is to be done at a conference soon to be held in Brussels, it will be the task of practical politics to submit the programme to a monetary conference.

Meantime we are content to let the peculiar European, and in particular the German, gold standard press do most of the talking. They are the same journals and the same elements that erstwhile fought against a protective tariff in Germany. They are loud but powerless. In our parliaments we have a most decided majority, which hails with delight every rational international regulation of the currency question, and in our government we have pronounced and well-informed bimetallists. The fury with which bimetallists are here attacked is downright comical. One of the favorite arguments is that we are bribed by the owners of American silver mines! Of course it is understood that all American politicians friendly to silver, and the bimetallists of all other countries, are also bribed by "Nevada" (where no silver is found any longer). However low one may estimate these bribes, still the mine owners must spend on them considerably more than their mines pay them. At the same time the fact that we aim at *international* bimetallism is purposely passed over in silence. We are said to be grieved because we have not in Germany a radical silver party, such as you have. I think that the time of monetary polemics has passed. The dispute is no longer as to whether silver is to be restored to its function as world's money, but merely how it is to be done. In regard to this "How?" we hope soon to send you detailed proposals across the Atlantic. Only please do not disturb our circles by silver experiments on your side!

As in your country, so in Europe, the currency question is becoming more and more a political question. This on the one hand weakens the bimetallist position, inasmuch as the resistance is strengthened, but on the other hand it forms the basis of our

power in the parliaments of the various countries, especially in England. The English Cabinet overcame the difficulties this time by a sort of strategy, but that manœuvre will not always succeed, and for that reason the Cabinet of St. James's has to use every means to get out of the blind alley. In the Cabinet both the parties on the currency are represented; in the House of Commons the bimetallists have the majority in the very party now in power. Balfour succeeded for the present in inducing the bimetallists to tone down their resolution, in return for the promise that the Cabinet would then stand united in favor of the resolution. The gold party was unable to oppose this resolution; it was contented with the ministerial declaration that the English gold standard is not to be interfered with. But henceforth England is bound to this extent, that she must do everything in her power by international treaty to bring about a fixed ratio of values between silver and gold.

This resolution of the English House of Commons characterizes the situation. The object to be attained now is to *bring about* bimetallism without *naming* it.

Long struggles generally end without a radical solution. The struggle over the principles of currency will continue until finally the conviction gains practical acceptance that silver must have a fixed gold value. But when the price of silver no longer fluctuates, the reasons against its coinage disappear. The fluctuations in the value of silver may then be obviated by unlimited coinage of silver at a fixed ratio. It may, however, be possible also to facilitate the resumption of silver coinage, by measures securing a fixed value of silver. The latter way is perhaps circuitous, but yet it is at present the feasible way. The European bimetallists hope by this circuitous route to arrive at the goal more quickly than by the direct route. We are laboring for the same end on both sides of the Atlantic: for the termination of the monetary anarchy, for the international regulation of the currency question, the only method suitable to modern commerce. We are convinced that the aim will be all the more quickly attained if the bimetallists of all countries proceed in unison, as they are now doing, thanks to the conference held at Paris in December, 1895.

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